



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 17, 2008

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Public Hearing Regarding Proposed Utility Rates Increases

RECOMMENDATION: That Council:

- A. Hold a public hearing, as required by Proposition 218, regarding proposed utility rate increases for water, wastewater, and solid waste collection services for Fiscal Year 2009; and
- B. Consider the recommendation of the Water Commission regarding water rates and allotments for agricultural irrigation customers.

DISCUSSION:

As discussed with Council during the development of the Fiscal Year 2009 budget, staff is recommending increases in water, wastewater, and solid waste collection fees for Fiscal Year 2009. Proposition 218, approved by California voters in 1996, requires that property owners be notified of planned rate increases and that a public hearing be held. Rate increases can be adopted unless a majority of property owners submit a written protest. Accordingly, the attached Notice of Public Hearing was included with utility bills sent to City utility customers during the April, 2008 billing cycle. In addition to the required written notices, a notice about proposed rate increases has also been posted on the City's web site and in the May, 2008 edition of the City's water bill newsletter. As of May 23, 2008, six written protests had been received in response to the Notice of Public Hearing. On April 14, 2008, the City Water Commission reviewed the proposed water and wastewater rates and concurred with the recommended across-the-board increases of 3.5% for water and 6% for wastewater, except for a modified recommendation on rates for agricultural irrigation customers, as discussed below.

Water and Wastewater Rates

For water service, an across-the-board increase of 3.5% is proposed for all monthly service charges and metered water usage. This is consistent with the long-term financial plan developed to maintain the City's water system, to fund needed infrastructure rehabilitation projects, and to keep pace with rising costs due to inflation. Major capital

projects include design and permitting for reconstruction of the Ortega Groundwater Treatment Plant, design of advanced treatment facilities at Cater Water Treatment Plant, ongoing water main replacements, rehabilitation of the recycled water filtration system, and capital maintenance work on treatment and distribution facilities. With the recommended rates, the average single-family residential water customer, using 12 hundred cubic feet per month, would see an increase of about \$2 per month, from \$57.28 to \$59.31 per month.

At the April 14, 2008 Water Commission meeting, after reviewing water rates and allotments for customers in the Irrigation-Agriculture rate class and hearing input from growers, the Commission recommended a one-year freeze on the Block One agricultural rate and an increase in the Block One allotment from 2.0 to 2.5 acre-feet per acre per year. This customer class represents about 1% of water sales and the Commission's recommendation would have minimal impact on revenue to the Water Fund. If Council concurs with the Commission's recommendation, this change can be incorporated into the proposed Fiscal Year 2009 rate resolutions scheduled for action by Council on June 24, 2008.

For wastewater service, an across-the-board increase of 6% is proposed for all monthly base charges and unit rates. This represents the 4% annual increase that has been identified for long-term needs of the Wastewater Fund, plus an additional 2% to fund incentive payments for the popular Sewer Lateral Inspection and Repair Rebate Program. Major capital projects in the Wastewater Fund include ongoing reconstruction of treatment facilities, pursuant to the El Estero Wastewater Treatment Plant Strategic Plan, and ongoing rehabilitation and replacement of collection system pipes. The increase for the average single-family residential customer would be a little under \$2 per month, from \$29.81 to \$31.67.

Combined water and wastewater service rates for the average single-family residential customer have increased at an average annual rate of about 2.6% since 1993, which is slightly less than the inflation rate for that period, as represented by the Consumer Price Index.

Solid Waste Collection Fees

Solid Waste fees apply to collection of trash, greenwaste, commingled recyclables, and other miscellaneous pick-ups of solid waste. Increases of up to 4.5% are recommended, based on contractual requirements to compensate the haulers for increases in the cost of doing business. Under the proposed rates, basic residential service (one trash can) would increase from \$24.65 to \$25.76 per month, and would continue to include free collection of up to 32 gallons of greenwaste and 96 gallons of commingled recyclables.

SUSTAINABILITY IMPACT:

City water rates have long been structured as inclining block rates (increasing unit rate with increased usage) to promote water conservation. Additionally, the City requires separate water meters for each dwelling unit, which allows water users to directly monitor their water use. Wastewater rates are set to fund capital and operating costs for a system that can reliably collect and treat wastewater to the rigorous standards needed to protect human health and the environment. Solid waste rates include 32 gallons of free greenwaste and up to 96 gallons of free commingled recyclables, and also fund the implementation of the Solid Waste Strategic Plan aimed at maximizing solid waste diversion from landfills.

ATTACHMENT(S): Notice of Public Hearing – Proposed Utility Rates, June 17, 2008

PREPARED BY: Rebecca Bjork, Acting Water Resources Manager/BF/spm

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office

NOTICE OF PUBLIC HEARING Proposed Increase to Utility Rates



Date: June 17, 2008
Time: 2:00 p.m.
Place: City Council Chambers, City Hall
 735 Anacapa Street, Santa Barbara

NOTICE IS HEREBY GIVEN that the City Council of the City of Santa Barbara will consider a recommendation to adopt a resolution, at the above-indicated time and place, to increase water, wastewater (sewer), and solid waste collection rates charged by the City. Increases would be effective on utility bills dated July 1, 2008 or later. Sample billing comparisons for current and proposed rates are shown on the reverse.

Water Rates (Applicable only to customers billed by the City for water service)

The proposed water rate increase is three and one-half percent (3.5%) of quantity charges and monthly service charges for all customer classes. Small variations above or below the 3.5% amount may occur due to rounding. The monthly bill for the average in-City single family residential customer (twelve hundred cubic feet of water) would increase from \$57.28 to \$59.31 under the proposed rates. The proposed increase will fund increasing water system costs resulting from inflation, stricter water quality regulations, and the ongoing need to repair and upgrade the water system, including reconstruction of the City's Ortega Groundwater Treatment Plant and improvements at Cater Water Treatment Plant.

Wastewater Rates (Applicable only to customers billed by the City for sewer service)

The proposed wastewater rate increase is six percent (6%) of the City's current wastewater charges for all customer classes. Small variations above or below the 6% amount may occur due to rounding. The maximum monthly charge for a single family residential customer would increase from \$29.81 to \$31.67 under the proposed rates. The proposed increase will fund increasing wastewater system costs resulting from inflation and the ongoing need for rehabilitation of the City's wastewater treatment plant and collection system. The increase also includes funding for the Sewer Lateral Inspection & Repair Incentive Program. For information on this program go to: **www.SantaBarbaraCA.Gov/Lateral**

Solid Waste Rates (Applicable only to customers billed by the City for solid waste collection)

The City proposes to increase rates for solid waste collection up to 4.5% for all customers receiving collection services from franchised haulers within the City limits. The increase is needed in order to meet the City's contractual obligation to compensate the haulers for changes in the cost of doing business. Basic residential service (one trash can) would increase from \$24.65 to \$25.76 under the proposed rates. Residential service would continue to include up to 32 gallons of free collection for greenwaste and up to 95 gallons of free collection for mixed recycling.

Note: This notice is intended only for customers billed by the City of Santa Barbara for water, wastewater, and/or solid waste collection services. Please disregard this notice with regard to any services billed to you by other agencies. Sample charges are shown on the reverse. For a complete itemization of all current and proposed rates go to www.SantaBarbaraCA.gov/water or call (805) 564-5460.

If you oppose any of the above increases, please deliver your protest **in writing** to the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to or during the City Council's consideration of this item on June 17, 2008. (If you wish to submit your protest during the public hearing, please deliver it to City Staff in the Council Chamber.) Because multiple rates are being considered by City Council at the same hearing, please indicate the specific rate you are protesting.

Typical Water and Wastewater Billing Comparisons – Current vs. Proposed Rates

Customer Class	Example	Assumed Monthly Usage (hcf/mth)	Total Monthly Water & Wastewater Charges*		
			Current Rates	Proposed Rates	\$ Increase
Single Family Residential	Low User 5/8" meter	6	\$52.89	\$55.34	\$2.45
	Average User 5/8" meter	12	\$87.09	\$90.98	\$3.89
	Above Average User 1" meter	40	\$232.96	\$241.92	\$8.96
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$514.12	\$538.61	\$24.49
Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	60	\$488.32	\$508.85	\$20.53
Industrial/ High Strength Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	100	\$799.32	\$834.45	\$35.13
Irrigation-Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter – no sewer	60	\$359.32	\$372.05	\$12.73
Recycled Water	2" meter – no sewer	250	\$509.32	\$527.45	\$18.13
Irrigation-Residential	1 acre of irrigated area 75% at Block 1 rate 25% at Block 2 rate 1" meter – no sewer Allotments are annualized – monthly average shown at right	40	\$207.91	\$215.29	\$7.38
Irrigation-Recreation		120	\$349.21	\$361.29	\$12.08
Irrigation-Agriculture		72	\$189.37	\$195.93	\$6.56
Out-of-City Customers	Currently charged at 130% of rates for corresponding in-City classes; no change is proposed in this percentage.				

* Not including 6% utility tax on water, as applicable

Typical Trash, Recycling, & Greenwaste Billing Comparisons Current vs. Proposed Rates @ 4.5% Increase*

Service Level	Current Rates	Proposed Rates	\$ Increase
Basic Residential Service (32-gal trash, 32-gal greenwaste, up to 95-gal recycle)	\$24.65	\$25.76	\$1.11
Basic Multi-Unit Residential (4-32 gal trash/week, + up to 95-gal greenwaste, up to 95-gal recycling)	\$32.52	\$33.98	\$1.46
Basic Business Service (32-gal trash/week, up to 95-gal greenwaste, up to 95-gal recycle)	\$24.65	\$25.76	\$1.11

*For more information, including a complete itemization of all current and proposed rates:
www.SantaBarbaraCA.gov/water or (805) 564-5460